

## **ARIZONA FIDUCIARY INCOME TAX 2004 and 2003 STATISTICS**

For taxable year 2004, 44,706 fiduciary income tax returns were filed, 2.8% more returns than filed for taxable year 2003. Federal taxable income on these returns totaled \$616,039,522. This is an 84.2% increase over federal taxable income on 2003 returns. Net tax paid on fiduciary returns for 2004 was \$29.5 million, an 80% increase over the \$16.4 million paid on 2003 fiduciary returns.

The attached tables summarize data drawn from the 2004 and 2003 fiduciary income tax returns. The statistics are broken down by Federal Taxable Income groups, so that growth or decline in a specific income tax group can be seen.

Arizona taxable income on these tables is positive income only. If a tax return started with negative income, and the income was still negative after adjustments, the negative amount was excluded from Arizona taxable income because, by definition, negative income is not taxable income. If a tax return started with positive income but became negative after adjustments, this negative amount was also excluded from Arizona taxable income for purposes of the tables. Therefore, when reviewing the tables, Federal Taxable Income plus adjustments less Medical Savings Account trust income will not equal Arizona taxable income.

### **Simple Explanation of the Arizona Fiduciary Income Tax**

The Arizona fiduciary income tax is a tax on income earned by estates and trusts. If an estate or trust has income subject to Arizona tax, the fiduciary must file a return when any of the following apply:

1. The estate or trust has any Arizona taxable income for the tax year.
2. The estate's or trust's gross income for the tax year is \$5,000 or more, regardless of the amount of the taxable income.

The starting point in the calculation of Arizona tax on a resident estate or trust is that resident estate's or trust's federal taxable income. The starting point in the calculation of Arizona tax on a nonresident estate or trust is that nonresident estate's or trust's federal taxable income derived from Arizona sources.

Certain adjustments to federal taxable income are required in Arizona. Some adjustments increase federal taxable income and some decrease federal taxable income. The difference between the adjustments increasing federal taxable income and decreasing federal taxable income is the net fiduciary adjustment. The fiduciary claims the net fiduciary adjustment less any beneficiary allocation. This amount is added to or subtracted from federal taxable income. Any income of a trust established as a Medical Savings Account is also subtracted for federal taxable income. The figure after these adjustments is Arizona taxable income.

Tax on Arizona taxable income is calculated using the following rate table:

<b>Arizona Taxable Income is Over</b>	<b>But Not Over</b>	<b>Tax Rate</b>	<b>Less</b>
\$0	\$10,000	2.87%	0
\$10,000	\$25,000	3.2%	\$33
\$25,000	\$50,000	3.74%	\$168
\$50,000	\$150,000	4.72%	\$658
\$150,000	And over	5.04%	\$1,138

Arizona tax can be reduced by a clean elections fund tax reduction, a credit for taxes paid to other states or countries or a clean elections fund credit.

**TAXABLE YEAR 2004 FIDUCIARY INCOME TAX STATISTICS**

	<b>\$0 or Negative Income</b>	<b>\$1 to \$50,000</b>	<b>\$50,001 to \$100,000</b>	<b>\$100,001 to \$500,000</b>	<b>\$500,001 up to \$1 million</b>	<b>\$1 million and over</b>	<b>Total</b>
# of returns	31,611	11,180	886	801	128	100	44,706
Federal Taxable Income	(\$169,624,245)	\$94,535,465	\$62,374,013	\$164,154,773	\$92,895,715	\$371,703,801	\$616,039,522
Adjustments	\$3,108,982	\$965,848	(\$1,146,650)	(\$1,653,442)	(\$4,808,305)	(\$56,180,099)	(\$59,713,666)
Medical Savings Account trust income	\$0	\$4,238	\$0	\$0	\$0	\$0	\$4,238
Arizona Taxable Income	\$11,856,758	\$95,894,837	\$62,177,115	\$162,638,005	\$88,087,433	\$315,530,722	\$736,184,870
Tax	\$597,857	\$2,964,867	\$2,363,420	\$7,335,968	\$4,301,190	\$15,798,479	\$33,361,781
Clean Elections Fund Transfer	\$37	\$4,888	\$305	\$350	\$60	\$55	\$5,695
Taxes Paid to Other States or Countries	\$24,508	\$125,493	\$145,268	\$446,518	\$466,363	\$2,664,573	\$3,872,723
Clean Election Credit	\$0	\$125	\$0	\$0	\$0	\$0	\$125
Balance of Tax	\$573,312	\$2,834,361	\$2,217,847	\$6,889,100	\$3,834,767	\$13,133,851	\$29,483,238

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# of returns	32,774	9,499	608	479	57	55	43,472
Federal Taxable Income	(\$171,864,228)	\$74,137,733	\$42,218,781	\$104,064,493	\$41,797,453	\$244,058,459	\$334,412,691
Adjustments	\$6,899,800	(\$673,298)	\$73,083	(\$5,332,202)	(\$3,638,899)	(\$79,673,830)	(\$82,345,346)
Medical Savings Account trust income	\$5,872	\$10,261	\$55,178	\$0	\$0	\$0	\$71,311
Arizona Taxable Income	\$6,424,917	\$74,798,645	\$42,348,924	\$98,757,538	\$38,158,554	\$164,385,067	\$424,873,645
Tax	\$289,615	\$2,310,188	\$1,615,807	\$4,477,588	\$1,861,184	\$8,231,557	\$18,785,939
Clean Elections Fund Transfer	\$92	\$4,132	\$130	\$150	\$10	\$25	\$4,539
Taxes Paid to Other States or Countries	\$4,631	\$108,455	\$77,973	\$422,000	\$276,884	\$1,512,190	\$2,402,133
Clean Election Credit	\$0	\$61	\$5	\$0	\$0	\$0	\$66
Balance of Tax	\$284,892	\$2,197,540	\$1,537,699	\$4,055,438	\$1,584,290	\$6,719,342	\$16,379,201